

September 3, 2014

Energy and Telecom Interim Committee  
c/o Ms. Sonja Nowakowski, Research Analyst  
Legislative Services Division  
PO Box 201706  
Helena, MT 59620-1706

Dear Members of ETIC:

On behalf of NorthWestern Energy, I have reviewed the content of ETIC's proposed bill to require electric utilities to prepare a biennial cost-benefit analysis of the Renewable Portfolio Standard and offer the following comments:

1. The utility has no objection to filing periodic reports with the Legislature on matters of important state policy such as the costs and benefits of the Renewable Portfolio Standard.
2. As written, the proposed bill will grossly underestimate the customer cost of complying with the RPS. The standard for measuring cost should be total customer cost, not wholesale or retail rates. Wind energy in particular has very high indirect customer costs for wind integration services, imbalance charges, and other fees. Those indirect costs can add 30%-50% to the invoiced cost of energy produced by an independent generator and must be accounted for in any valid cost-benefit analysis.
3. The proposed bill requires an estimation of avoided air pollutant emissions, in-state economic impacts, or other benefits of the Renewable Portfolio Standard. NorthWestern is in a poor position to estimate these benefits and any estimates submitted by NorthWestern to the Legislature would be subject to second-guessing by other parties.
4. The proposed bill looks backward at what the cost and benefits were during the preceding biennium. The RPS is law. The contracts and investments made by NorthWestern and MDU are a matter of fact. At this point, even if the cost-benefit analysis were to show that the RPS was having a harmful effect on utility customers, little can be done to undo what was done to comply with state law.

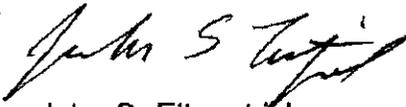
Energy and Telecommunications  
Interim Meeting  
September 8, 2014  
Exhibit 2



Cost-benefit analyses are more beneficial on a prospective rather than retrospective basis. The issue before the Legislature is, what are the costs and benefits of complying with the RPS in the future and, in particular, what are the costs and benefits of adding another increment of renewable power to that already required by law.

NorthWestern has repeatedly testified that this company's capacity to add additional wind generation on its system will require installing another generating unit at the Dave Gates Generating Station near Anaconda. That's a costly investment paid for by electricity consumers, but must be done to support additional wind generation on the company's system.

Very truly yours,



John S. Fitzpatrick  
Executive Director  
Governmental Affairs